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September 13, 2006

BY OVERNIGHT DELIVERY AND E-FILE

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 06-31

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's responses to the following Information Requests:

USW-4-1 USW-4-2 USW-4-3 USW-4-4 USW-4-5

USW-4-7 USW-4-9

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Caroline Bulger (DTE) Hearing Officer
Paul Osborne (DTE)
A. John Sullivan (DTE)
Alexander Cochis, Assistant Attorney General (4 copies)
Charles Harak, Esq. (UWUA)
Nicole Horberg Decter, Esq. (USW)
Service List

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FOURTH SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: September 13, 2006

Responsible: Stephen H. Bryant, President

USW 4-1: Referring to BSG's response to USW 1-13, state the time period within which Mr. Bryant and Mr. Cote have had "primary responsibility for determining staffing levels for each of Bay State's respective departments." Additionally, list the BSG departments and locations for which Mr. Bryant has primary responsibility for determining staffing levels during the time period identified.

RESPONSE: Mr. Bryant and Mr. Cote have had primary responsibility for determining staffing levels for each of Bay State's respective departments, as described further below, since assuming their current responsibilities. Mr. Bryant has been President of Bay State since 2003. Mr. Cote has been General Manager of Bay State since 2002.

As President, Mr. Bryant is the chief regulatory officer for Bay State. As such, Mr. Bryant carries the primary responsibility for insuring that Bay State fulfills its obligation to provide safe and reliable natural gas service to its customers at the lowest reasonable cost, including the fulfillment of service quality obligations as defined by the Massachusetts Department of Telecommunications and Energy. This responsibility covers all operations where service quality to customers is at issue. For instance, if a circumstance occurs where a service obligation is not being met, Mr. Bryant can direct that the deficiency be corrected, including adding staff, if such addition is necessary to remedy the service quality deficiency. That said, once a deficiency has been identified, the method for meeting or correcting a failure to meet a service obligation, such as the addition of staff or contracting for additional services, is generally left to the management of each department.

As General Manager of Bay State, Mr. Cote carries the primary responsibility for insuring that Bay State operates its distribution facilities in a manner that allows for the provision of safe and reliable service at the lowest reasonable cost. Mr. Cote's focus is on state and federal regulations that govern the operation and maintenance of the Company's natural gas facilities. Mr. Cote also carries the primary responsibility regarding the proper training for all employees and contractors that engage in work on the Company's facilities. For instance, if a circumstance occurs where a state or federal regulation is not being met, Mr. Cote can direct that the deficiency be corrected, including adding staff if such addition is necessary to remedy the failure. That said, once a

deficiency has been identified, the method for meeting or correcting a failure to meet a state or federal regulatory obligation such as the addition of staff or contracting for additional services could be left to the management of the area in which the failure has occurred.

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Responsible: Stephen H. Bryant, President

USW 4-2: Referring to BSG's response to USW 1-13, state whether Mr. Bryant has sole or principal decision-making authority, or on the contrary, must gain prior or preliminary approval from an NCSC employee or agent, regarding any of the following types of actions:

- 1) Increasing permanent staffing levels at the BSG Springfield Call Center;
- 2) Hiring temporary employees to increase staffing levels at the BSG Springfield Call Center;
- 3) Instituting layoffs at the Springfield Call Center;
- 4) Contracting with subcontractors to outsource Springfield Call Center functions;
- 5) Hiring permanent full time employees to make up for attrition for the Springfield Call Center and for Meters to Cash; and
- 6) Contracting with subcontractors to outsource Meters to Cash functions at the Springfield BSG offices.

To the extent Mr. Bryant must gain prior/preliminary approval for any of the above actions, state the name of the NCSC employee or agent providing the approval.

RESPONSE: Please see the Company's response to USW 4-1.

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Date: September 13, 2006

Responsible: Stephen H. Bryant, President

USW 4-3: Referring to BSG's response to USW 1-13, state the time period within which Mr. Bryant and Mr. Cote have been "primarily responsible for determining whether customer-facing functions are outsourced [at BSG]."

RESPONSE: As stated in the Company's response to USW 4-1, Mr. Bryant's and Mr. Cote's focus is on fulfillment of service quality, safety and reliability obligations. It is their responsibility to insure that, whether a service or function is fulfilled by the Company or through a contracting vendor, quality, safety and reliability are not compromised. Mr. Bryant and Mr. Cote also carry a secondary responsibility to see that service is provided in a cost-effective manner. Further, Mr. Bryant, as the Company's primary sponsor of rate filings, particularly base rate increase requests, must be confident that the Company has pursued all reasonable opportunities to minimize the cost of service to its customers. As an example, since the proposal by IBM to provide call center services has the potential to significantly reduce operating costs for this function, the Company is obligated to pursue the proposal, such that proper assurances are provided by the vendor regarding quality and reliability of service.

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Responsible: Stephen H. Bryant, President

USW 4-4: Referring to BSG's response to USW 1-13, from February 2005 to date, provide all documents relating to, regarding, and informing Mr. Bryant's and Mr. Cote's consideration of whether USW positions performing Call Center and Meters to Cash functions should be outsourced to an outside contractor.

RESPONSE: Since Mr. Cote's primary responsibilities are related to the safe and reliable operation of the Company's distribution system, he has not been directly involved in the discussions related to the potential outsourcing of the Call Center and Meter to Cash functions.

Mr. Bryant attended a meeting on May 3, 2005 in Merrillville, IN, along with other presidents of NiSource local distribution companies, to discuss the possibility that IBM could take responsibility for providing Call Center and Meter to Cash functions. The primary purpose of Mr. Bryant's participation in that meeting was to discuss service quality requirements for MA, NH and ME, although the economics of the IBM proposal were also discussed at that meeting. Mr. Bryant has not retained notes or other materials from that meeting. Mr. Bryant is in the process of contacting the host of that meeting to determine if any materials from that meeting are available. If any such materials are located, they will be provided as a supplement to this response.

Mr. Bryant also participated in a series of discussions on or about October 3, 2005 that led to the development of an economic comparison between providing Call Center and Meter to Cash functions in Springfield, MA with Company employees as compared to the same service provided through IBM. Please see CONFIDENTIAL Attachment USW 3-15 A and CONFIDENTIAL Attachment USW 3-15 B for the results of that comparative analysis.

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Responsible: Stephen H. Bryant, President

USW 4-5: To the extent not provided in your response to USW 4-4, identify the individual(s) who made the decision to propose to the USW that all Springfield Call Center and Meters to Cash positions be outsourced shortly after the June 2005 IBM-NCSC Agreement was executed. Additionally, identify the individuals who made the decision to request that the USW bargain over BSG's proposal to outsource all Springfield Call Center and Meters to Cash positions under the June 2005 IBM-NCSC Agreement.

RESPONSE: At about the time that the IBM-NCSC Agreement was concluded, Mr. Bryant was informed that the IBM proposal for providing call center and meter to cash functions represented a significant cost reduction as compared to the cost of providing these services in Springfield, MA with Company employees. To the best of Mr. Bryant's recollection, he informed the Company's Labor Relations team that, in his opinion, the Company had an affirmative obligation to pursue the IBM offer, as it represented an opportunity to reduce the cost of providing service to the Company's customers. Mr. Bryant was informed that, before the Company could make a decision regarding the IBM proposal, the Company would be required to engage in decisional bargaining on this matter with the USW. Given these facts, Mr. Bryant and NiSource Labor Relations team came to the conclusion that the Company should pursue decisional bargaining with the USW.

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Responsible: Stephen H. Bryant, President

USW 4-7: Referring to your response to USW 1-15, provide the April 28, 2005 announcement and any correspondence to the USW or USW members regarding the same.

RESPONSE: Attachment USW 4-7 (A) is a copy of the April 29, 2005 communication from Robert C. Skaggs, Jr., announcing that NCSC would move forward with IBM to conduct exclusive contract negotiations as the provider of certain business services. On June 21, 2005 the Company provided notice to the USW it was "considering the outsourcing of contact center and revenue recovery work currently performed by members of Local 12026". Attachments USW 4-7 (B) and USW 4-7 (C) are letters to Mr. Daniel Murphy, President of Local 12026 and to Mr. Joseph P. Carlson, USW Staff Representative, respectively, requesting dates for negotiations.



Robert C. Skaggs, Jr.
President

801 E. 86th Avenue
Merrillville, IN 46410

April 29, 2005

Dear Colleague:

Today we are announcing NiSource's first quarter earnings and providing an update for financial analysts on your efforts to deliver strong financial results and establish a platform for sustainable growth. Thanks to your continued hard work, we are able to highlight significant accomplishments in each of our strategic areas:

- Pipeline Growth
- Regulatory & Commercial Initiatives
- Financial Management
- Cost Management

Our news release highlights your accomplishments and I hope you'll take some time to read it to see the progress we've made in delivering on our commitments. Also today, we announced that we will move forward with IBM as the provider with whom we will begin exclusive contract negotiations to outsource some business support activities.

Both IBM and Accenture did outstanding work in developing proposals to meet our business needs and meeting our expectations for safety, reliability and quality customer service. So, choosing IBM was a difficult decision. Now that we have made this choice, beginning immediately, a team from NiSource and IBM will begin to define the collaboration between the two companies. Based on the work we've done, we are comfortable moving forward with our planning to outsource some business support activities. However, we have a lot more work to do to get to a definitive plan and provide you with the specifics you need. Delivering on our commitment to you for these specifics is a primary focus of our efforts.

Let me share with you some of the key benefits from outsourcing that we have identified so far:

- The ability to rapidly transform our major business support processes.
- Access to new technology and service capabilities for NiSource and its customers.
- Redeployment of capital funding for investments in our core business.
- Enhanced strategic focus on our core gas and electric operations.

These benefits will be essential to ensure that we've established a platform for long-term sustainable growth at NiSource. Still, we recognize that there are some questions we will not be able to answer until specifics of the contract are negotiated. We expect to conclude contract negotiations in June, and we expect employees to know specifics by late June.

Obviously, this is a significant decision for NiSource. It will change the nature of our organization – both for functions that may be outsourced and for areas that depend on those services. Our goal is to move forward with this process as thoughtfully, but deliberately, as possible. Again, I appreciate your continued focus as we pursue this and the other important elements of our business plan.

An updated fact sheet and Q&A on this effort are available on MySource. I hope you find these materials helpful.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob", written in a cursive, stylized script.

June 21, 2005

Mr. Daniel Murphy, President
United Steelworkers of America, Local 12026
33 Eastland Street
Springfield, MA 01109

Dear Mr. Murphy:

Consistent with our discussions with you over the past several months, I am writing to you regarding our consideration of the potential outsourcing of certain functions.

We are writing to inform you that the Company is considering the outsourcing of contact center and revenue recovery work currently performed by members of Local 12026.

Consistent with our prior conversations regarding the Company's obligation to engage in decisional bargaining with respect to outsourcing of work, we are requesting dates from you for negotiations beginning the week of July 18.

Additionally, we write to inform you that we anticipate the elimination of certain work due to the introduction of new technology and process changes.

Sincerely,

Jovette Pino

cc: Ed Santry
Jay Moore

June 21, 2005

Mr. Joseph P. Carlson, Staff Representative
United Steelworkers of America, District 4
100 Medway Road, Suite 403
Milford, MA 01757

Dear Mr. Carlson:

Consistent with our discussions with you over the past several months, I am writing to you regarding our consideration of the potential outsourcing of certain functions.

We are writing to inform you that the Company is considering the outsourcing of contact center and revenue recovery work currently performed by members of Local 12026.

Consistent with our prior conversations regarding the Company's obligation to engage in decisional bargaining with respect to outsourcing of work, we are requesting dates from you for negotiations beginning the week of July 18.

Additionally, we write to inform you that we anticipate the elimination of certain work due to the introduction of new technology and process changes.

Sincerely,

Jovette Pino

cc: Ed Santry
Jay Moore

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Responsible: Stephen H. Bryant, President

USW 4-9: Referring to your supplemental response to USW 1-32:

- 1) identify the Company employees with whom Mr. Bryant discussed trunk line use and the name of the "supervisor then employed" who "made the determination to limit the number of calls entering the Springfield Contact Center queues"; and
- 2) Provide the date the new CIS system referred to in his response to USW 1-32 was implemented.

RESPONSE:

- 1) Mr. Bryant directly consulted with the following NiSource and Bay State employees in preparation for this data request:

Mr. Mike Davidson, Director of NiSource's Contact Centers
Ms. Virginia Anthony, Manager of Bay State's Consumer Relations
Ms. Pat Teague, Manager of Bay State's Springfield Contact Center

In addition, Mr. Bryant was provided information from Mr. Steve Sottile, NiSource Network Engineer.

Both Mr. Sottile and Mr. Davidson's involvement with the Springfield Contact Center began in 2002. Ms. Pat Teague, current Manager of the Springfield Contact Center, and Ms. Anthony, former manager of the Springfield Contact Center, have no direct knowledge regarding the history of Bay State's trunk capacity issue, and were unable to provide any additional information. There are no other Bay State contact center, telephone network or senior managers still with the Company who had any involvement with the Springfield Contact Center trunk capacity issues prior to 2002.

Mr. Bryant understands that Ms. Carol Collins, a former Bay State employee, made the decision at some point during 1998 - 2000, to limit the number of calls entering the Springfield Contact Center queues to help manage wait times once a customer entered a queue.

- 2) Bay State's CIS system referred to in its response to USW 1-32 went live November 1999.